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ReportEAS

AUG 22 1958

AUG 27 1958

INTERIM REPORT

OF ONTARIO.

THE HYDRO-ELECTRIC INQUIRY COMMISSION
in respect of
THE THUNDER BAY SYSTEM
constructed and operated by the
HYDRO-ELECTRIC POWER COMMISSION

MR. J. A. ROSS.



Y - In what measur and to what extent will the price of Hingars Forer to affected, if at all, by the cost of the Checkston-Chiponea Development:

- any other power developments undertaken by the Extra-Chosvie Power Countries, and generally all matters of expenditure and administration

To His Honour, Henry Jockshutt, Esquire,

Lieutenant-Governor of the Province of Ontario.

as may be desirable, and to report the evidence est facts brought

May it please your Honour; - lang with rush rimaining

The Commissioners appointed under Letters Patent, he bearing the date 20th day of April, 1922, respectfully beg to report as follows:

into and report upon: segment draw Fare william that we invocations

- 1 All estimates submitted from time to time to the Hydro-Electric Power Commission of Ontario for the Queenston-Chippawa Power Development, and also all estimates for the said work submitted by the said Commission to the Covernment of Ontario;
- 2 The reasons for increases from time to time in the estimates for the Queenston-Chippses Power Develop-
 - 51- The total cost, when completed, of the Queenston-
- For a Arthur, we have also made a careful and emponded inquiry (a) with five units installed:
- of the Canal:
- 4 The continuous output capacity of the Queenston-Chippawa Power Development, under the conditions mentioned in Clause 3.
- 5 The methods of construction, supervision and management, which have been employed in the Queenston-Ghippawa Power Development, and whether they can justifiably be continued for the economical completion of the work.
- 6 (a) The quantity of water new available for use by means of the Queenston-Chippawa Canal;
 - (b) The power that can be developed thereby in continuous output at the Queenston Power Station.

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bearing the date 20th day of April, 1922, respectfully buy to

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 - d The total conf. when completed, of the Queenstea-Chippess Poser Development,
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 - (b) Fith mates Amendied to the full espacity

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- be antique of construction, supervision and menogenest, which have been employed in the Cane has any July 10 to they not justificate be continued for the coordinate esmaletion of the north-

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- 7 In what manner and to what extent will the price of Niagara Power be affected, if at all, by the cost of the Queenston-Chippawa Development:
- 6 Any other power developments undertaken by the Hydro-Electric Power Commission, and generally all matters of expenditure and administration by the said Commission.

connection with, or arising out of, the subjects thus indicated, as may be desirable, and to report the evidence and facts brought out by the investigation, along with such findings,

come to our notice a condition, relative to the Thunder Bay
System, which we feel should be brought to your attention
without further delay. Our attention was definitely directed
to this subject by a request from Fort William that we investigate
the conditions relative to this System. In a coordance with
this request, your Commissioners made a personal inspection of
the development on the Nipigon River, located at Cameron Falls,
and held two public hearings, the one in Fort William and the
other in Port Arthur, on June 14th and June 15th respectively.

Port Arthur, we have also made a careful and extended inquiry into other conditions relative to the System. The knowledge of conditions that we have gained leads us to the definite belief that, aside from all consideration as to whether the policy adopted by the H.E.P.C., in establishing a development at Cameron Falls, was justified or not, the present financial and business conditions of the System urgently require immediate attention.

- 7 in what mineer and to shat extent will the price of Kingers Power to affected, if at all, by the cost of the Chippens Devalogment
 - 8 iny other power developments and orderally the Eydro-Sleeteld Power Commission, and soministration by the said Commission.

To make such suggestions and recommendations in denneation with, or articles one of, the subjects thus indicated, as may be contrable, and to report the evidence and fact brought out by the investion, along with such rindings, there has an impairy, there has

some to war nowless a densition, relative to the Trunder Say System, which we feel should be brought to your astonuion without further colay. Our attention was definitely directed to this subject by a request from Fort villian that we investigate the onditions relative to this System. In a decidence with the conditions relative to this System. In a decidence with this request, your Consistsioners made a personal inspection of the development on the Hipigon Siver, leganed at democran salla, and held two public hearings, the one in Fort William and the other in Fort Arthur, on June 18th and Jone 18th respectively.

In addition to the pablic hearings so fore stilled and satences inquiry fort arthur, we have also made a careful and satences inquiry is to other conditions relative so the invates. The happings are conditions that we have gained leads as to the definite belief that, caide from all consideration as to whether the pointy sacrossed by the H.J.F.O., in octabilating a development at democrat was function or not, the present timecal and business was justified or not, the present timecal and business dealers the development at the first of the design arguming a development of the design arguming a timediate

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as estimated by the E.R.P.C., is capable of developing 50,000 2446.

H.P. at 100 per cent lead factor and 100,000 H.P. at 50 per cent attacks from the first load factor. Of this amount probably less than 10,000 H.P. is at present being used. The money at present invested in the Thunder Bay System is approximately \$6,500,000. and the final cost will probably exceed \$10,600,000. The plant has been in operation since December, 1980. It is quite apparent. From observance of these details, that the System is operating on a basis that is far from economical and that interest charges, operating costs, sinking fund allowances and so forth are producing a burden out of all proportion to the advantages gained.

report on the whole situation is necessary; at the same time we feel that present unsatisfactory conditions might, in part, be met if the power possible of development, were sold. Thus the problem appears to us to be a straight business proposition of marketing the power available and thus reducing the carrying charges that are, at the present time, pyramidding at an alarming rate.

HISTORICAL.

In order to more properly understand the situation, a short review of the historical facts, leading to the present status of the Thunder Bay System, is considered desirable:

In 1917 the Cities of Port Arthur and Fort villiam entered into a contract with the Hydro-Electric Power Commission for a supply of power. Although the contracts came into force in March, 1918, when they were ratified by the Legislature, Fort Arthur

The plant, when tinally completed at Ceneron Palls, as cotimeted by the 2.2.P.C. is capable of developing 50,000 kers.

3.P. at 100 per dant load factor and 100,000 R.P. at 50 les cent load factor. Of this amount pandably horn than 10,000 R.P. is at present boing asok. The mency at present invested in the Thursday Ray Opites is approximately 65,000,000. and the final cost will probably exceed 110,600,000. The plant has been in cost will probably exceed 110,600,000. The plant has been in

electronic of these Astallar that the System is operating on a basic that is far from eronomical and that interest charges, operating that all operating shad a little and so forth are producing a burden out of all proportion to the advantages dained.

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did not begin to take power until December, 1920, and Fort
William will not take power until August, 1926. The

contracts authorized the Commission to construct or

purchase generating stations, transmission lines and any
other works required to supply the power, and under the

Power Commission Act the Municipalities became liable to

repay to the Commission the full cost of the works.

Both Cities had previously been supplied with power generates at Kakabeka Falls, on the Kaministiquia River, west of Fort William, by the Kaministiquia Power Company.

The City of Fort William has a contract direct with the Kaministiquia Power Company which does not expire until August, 1926. The City of Port Arthur had a ten-year contract expiring in April, 1920, through the Hydro-Electric Power Company and sold it to Port Arthur.

The price paid by Port Arthur to the H.E.P.C., for the power, was \$14.00 per H. P., at 22,000 volts, plus a charge made by the H.E.P.C. in respect of operating costs, interest charges, sinking fund and so forth, bringing the cost of power to Port Arthur up to \$19.00 or \$20.00 per Horse Power. In Port William the price of power was \$20.00 per Horse Power at 2200 volts.

Then the proposal of an agreement with the Hydro-Electric Power Commission was before the ratepayers of the two Cities, in January, 1917, it was represented by the officials of the Commission that the prices of power under the new proposal would be substantially lower than they had been under the old did not begin to team power until headed, 1220, and sore
stilles will not take power until heades, 1286. The
contracts authorized the Commission to construct or
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contract considerion for the institute became liable to
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Cities, in January, 1917, it was represented by the officials of
the Commission that the prices of power mader the new proposal
would be substantially lower than they had been mader the old

arrangements with the Laministiquia Power Jompany. This expectation and the anticipation of demands for power, larger than the Company was able to supply, were the reasons which apparently induced the two Cities to enter into the contracts with the Commission. The alternative was to allow the Kaministiquia Power Jompany to undertake a further development on the Kaministiquia River, which could have been done at Silver Falls or Dog Lake. It miles above the Company's present plant.

Instead of allowing the Kaministiquia Company to dayslop
this power, the proposal was that the Hydro-Electric Power
Jemminsion should undertake the development; and it was
this proposal that was the besis of the agreement between
the Cities and the Commission, though the terms of the agreement were broad enough to authorise a development elsewhere.
It would appear, however, that no other plac was seriously
contemplated by the people of Port arthur and Fort liliam
when the vote was taken, then the Bog Lake development. The
estimated prices of power, as submitted in August, 1916, were
hased on an estimated capital expenditure of 43,000,000.

the Commission, in 1918, undertook the construction of a generating plant at Generon's falls, on the Ripigen River, is miles north-east of Port Arthur. It is contended, more particularly on behalf of Fort Billiam, that, as the estimates furnished to the Cities were calculated solely with reference to the development at log Lake, and as the Dog Lake undertaking along was before the electors when the Sy-law was veted

Character and Ministration of Street Street to severally one or commerce or an extension of the commerce o eas even "fights of side end Land of the date of the date of the second dans and the danters of the County seeks of the State of ERGERTUR & BURETHOURS OF BURESON THEORY BLUE ered almos deide errik abelizeta. been done at dilyer Fails or Fog Lame, is miles shove the 中島教教學者 真紅雞母母俱獲 揮 3. lastend of allowing the Nantaitesta & ene the part part part the part of the par THE R. LEW. LEWIS CO. LANSINGS. LANSINGS. BRIDGIS. BULLETINGS. BOARD OF STREET, MAY BY ARREST AND ADDRESS OF THE PARTY NAMED IN to in a set the Gomesta servines le drangeleven a deirectes de depute éseat pres suem "ARREST THE CASE WATER AND REAL PROPERTY AND ADDRESS OF THE PARTY OF T MARKET BUT HAS TRAFFIC BUT IN DELICE THE RESIDENCE TO sestiment prices of pewers as submissed in inguist, 1716, were ACTION CONTROL TES SERVICETES CORPORES DE LES ANTOCHES a to noidourtanon out Moorenban . Bill al . moine. CANAL SAMELIA OF THE PERSON OF THE PARTY OF CHARLES THE PROPERTY AND IN TWO ARRESTS NAME AND PARTY. AND REAL PROPERTY AND ADDRESS ASSESSED AND ADDRESS OF TAXABLE AND ADDRESS ASSESSED. DESCRIPTION OF THE PARTY OF THE DESCRIPTION OF THE PROPERTY OF

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on, the responsibility for the change in location rests with the H.B.P.O. STO Far, pasta siki, according to the additionary

in December, 1916, the plans decided upon entertaining the carstruction of dams to give a 78 foot head of water to serve
a completed installation of six generator sets, each with
a rated capacity of 12,500 R.P. The sork was pushed forward
during 1919 and 1920, which of course was the period of very
considerable rise in the cost of labor and particularly in
the cost of electrical equipment, building materials and
construction supplies in general.

During the construction of the development plant a wooden pole transmission line of 110,000 velt capacity, ever seventy miles long, was also built, terminating at the easterly limit of Port Arthur. At the Port Arthur end of the line was erected a very temporary wooden and stucco transformer station.

By December, 1920, the dans for the whole development were practically completed and two generator sets had been installed and on December 20th power was first delivered to Port Arthur.

Indiana C. Land

THE REST PROPERTY AND PERSONS NAMED AND POST OFFICE ADDRESS.

According to the report of the Auditors, the total net or pital investment, as of Slat October, 1921, represented in the Thunder Bay System, was \$6,543,505.57. From this must be deducted \$66,991.74, the amount standing to the credit of the System on account of sinking fund, etc., set up in respect of the original Fort Arthur System. The

on, the messentibility for the change in location must with education was anomyr forth out the wild we factor frames. the name of the party place were need to be a party of the party of the party of struction of dame to give a 75 feet of muter to north 超過音響 医白白白 中联营办部 型在中的生物外的工作 医水流 軍事 異數是古典是是本事性是 無如此的美術 STATE OF THE PARTY during lely and then obtain at deader the ported of very at withing the to the cook to done at the order of caresian han a latantam balling atnomina fortanto to anon aga The same of the later of the la decime a final the constant of the general plants and the constant MATERIAL PROPERTY AND PERSONS ASSESSED FOR ADDRESS OF THE PARTY OF THE 方面 医性人员为强素现在的者 多名的名词名 如果有效 医糖酸 医静脉形式 医心脏系统 克尔 TALLIS SHEETS AND THE TALL PROPERTY AND THE PARTY NAMED IN NAMED IN COLUMN 2 OF TAXABLE PARTY OF TAXABLE PARTY AND POST OF TAXABLE PARTY. CANADA CANADA AND AND AND AND AND ADDRESS OF THE PARTY OF and small and kind transfer and and manufactures are assessed and of honorstan sents com newes della endmoned no but button The second secon ton invocations and to decom one on anti-work the contract which are not party or an interest during the

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of a second

completion of the works in connection with the present two units of 12,500 N.P. each, will, according to the estimates, require the expenditure of another 3733,868.00 during the present year. The present east and estimated sest to complete the two-unit System will, therefore, a mount to over \$7,200,000.

The levenue credited to the Thunder Sty System for the there is to be a to be a subject to the subject tof year ending 31st Dotober, 1921, was [217,730,98. the transfer of the late of emount consisted of \$176,752.29, charged against the dity of FREE STREET, STREET Purt arthur for the sale of power at 125.00 per B. 2., and a bel now of [42,087.87, which had been charged against the Mipigon Flore & Paper Jempany, for lower sold under a contract for the security of which the dommission belos a bond for 440,000. The actual amount paid by Port Arthur 語れずり物等の分 足質 等しは がずかまるかはる 落と 切るまっちゅう ちゃらおす 塩を was 146,032.05, which was based on a price of \$23.00 per 이는 수원 등 한 사람 H.P., the monthly statements rendered to the City having The final adjusted bill for been made out at this price. the year, hovever, was made out at the rate of 485.00 per M.F., and, instead of requiring the City to pay this amount, the TANKS THE STREET SECTION SECTI W.E.P.O. appropriated \$29,721.51 of funds standing to the - needs to division then a ment out of division the credit of the City of Port Arthur in respect of over payments for power under the original Port Arthur System. The City of · 大学集成 1. 电影 · 整理 1. 化 · 管务 3 · 经信息 · 化压力 · 中 · 中 · 中 · 中 Fort Arthur has protested strongly against this course, urging that the money appropriated by the Commission was required by THE REAL PRINCIPLE AND PRINCIPLE AND PERSONS ASSESSED FOR THE PARTY AND PARTY AND PERSONS ASSESSED. the City to soily on the construction of a new transformer system for the Sity's distribution plant. It is understood OF THE R. SH. M. REW AND POST OF P. that the matter is still the subject of negotiation. writer or william be excess the Stricklinky and all or

The appropriation of the \$29,721.31 still left a deficit

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wes fitte, \$52.68, which was based on price of \$20.00 yer E.F., the mentif statements remdered to the City having been made out at this price. The final adjusted bill for the year, however, was made out of the rate of 105.00 per Halla

H. S. P. C. appropriated \$19,782.82 of manarashaday to the order paymonts or the City of Port Arthur ta respect of over paymonts for pover ander the City of Port Arthur ta respect of over paymonts for Port ander the Original Port Arthur the Original Port Arthur the Original Port Arthur the protessed of roading to the course, arthur that the money apprepriated by the Commission was required by the Commission was required by

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of \$18.708.88, charged against the City of Fort Arthur which will, in the ordinary course, be added, with interest, to the charges for the current year.

Against the present and any future deficit, the Commission holds as security funds of the original Port Arthur System, as follows:-

The money invested in the Nijison System was borrowed by the Province at various rates averaging 6.2%. The accountants of the Commission, last year, computed the interest rate, both on construction and operation in the Bipison District at 5% and carried this rate back to cover all advances since the construction of the Bipison Flant was begun. The effect of this was to give the Commission a credit of 377,347.45 (less a small sum of \$5,562.04 due to a clerical error, which was held in suspense to be deducted during the current year). The full amount of interest for the year ending Elst October, 1921, at the rates paid by the Government would have been \$316,051.22. It will be seen, therefore, that unless the reduction of the rate to 5% was justified or in other words, unless the Province is willing to assume the \$77,347.45, the net revenue

of \$18,703.85, charges agained the City of Fors arthur

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interest rate, beat on construction and contacton to the file of the formatel on a treat of the file. The file of the file and the file of the file of

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inserect for the year ending Sist Cotobor, 1911, at Lis rotes paid by the Covernment would have been \$516,001.24. It will be seen, therefore, there makess the reduction of the the rates to 55 was funtified or in over words, unless the province is willing to assume the \$77,347.45, the net revenue

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then the interest charges alone, exclusive of a further \$20,459.90 interest, added to capital no ount without any provision for operating costs, sinking funds, reserve for renewals or veserve for contingencies. Even on the basis of the 5% rate, the total revenue would have fallen \$552.91 short of meeting interest charges.

Commission the municipalities associated in the Tauader Bay

yetem are under obligation to pay for the cost of the System

by buying their power "at cost" that is to say with a

provision for sinking fund which would retire the capital

cost in forty years. To maintain the Dystem on a sound

financial basis, there must be charged in the price of power

not only the cost of operation, and interest on the investment,

but charges for sinking fund, a reserve for renewals and a

reserve for contingencies.

as already illustrated, sufficient funds to take care of interest on capital, sinking fund, reserve for renewals. reserve for contingencies and operating costs. The sum total of those charges may, for estimating purposes, be taken as ranging from 10 to 12 per cent, considering the money involved as worth 6.2 per cent. Since the development as at present constructed will represent an investment of approximately

the City which binds was and thinks this ent

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fair average on which to compute the yearly charges, we find that the annual charge for an installed capacity of 25,000 h.p. 1s \$792,000.

Leserding to the auditor's Report, the load on the System is only 11.000 h.p. Thus. by simple computation, it will be seen that, to deliver power at cost under these conditions would necessitate a charge of about 172.00 per h.p.

It is not, of course, possible to sell the total installed capacity of any plant and at the same time be able to guarantee a continuity of service. A certain reserve in generating equipment must be held for breakdowns, etc. Therefore, since only two units are ready for operation at this plant, one unit, except at peak load periode, should be held as a standby. Allowing for the second unit operating as a peak load factor, and figuring on a certain diversity in the sale of power, it is probable that the equipment as now installed could properly deliver 15,000 h.p. Therefore, it will be seen that this amount would have to bring nearly 453,00 per h.p. to permit of a sale of power at cest.

Due to the natural resources of the Taunder Bay
Territory the largest industry of the country is the manufacture of pulp and paper and it is to this industry that we
must look for the consumption of the large blocks of power.
The cost of power forms a very considerable item in the cost
of ground pulp wood and it seems to be well established that

thir average on which to sangute the yearly charges, we fird the average on which to sangute the yearly charges, we fird a.y. is \$782,000.

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It is not, of course, possible to sell the total course.

Leading of any pichs and at the same time by able to detecte in the destrict records in your sting equipment duet be held for breakspoons, obe. There tere, since only two delte are ready for operation at this picpt, one this, except of good load periods, anoth is held not standing, allowing for the second and toestating on a standing, and algoring on a certain diversely in the sale of person, it is probable that the equipment to new the sale and a standing to period have to being nearly in the sale of person, it is probable that the equipment to new this this can the sale of britz nearly.

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that the industry cannot bear a charge anything like the cost figure that should at present govern the output from the Cameron Falls Plant.

In the meantime charges of 7720,000. per year, or more. are running against the hystem, while the income to offset those charges is only in the neighbourhood of 2218,000. per year. The actual income for the year ending 31st October, 1921, was only \$146,032.08, because the \$42,037.57 was not collected from the Biplion fibre & Paper Co. and \$29,721.31 was appropriated out of the sinking funds, etc., standing to the credit of Port Arthur.

On the most favorable method of calculation, the system is running behind at the rate of nearly \$1.400. per day or about \$42,000. per month.

for the power which the plant is at present capable of producing - for that would mean power at prohibitive prices - but to
find customers to justify a further installation at Ripigen.
The dam and other permanent works were so constructed as to
provide for four other generating units of 12,500 h.p. each.
in addition to the present two units. According to the
estimates of the engineers an expenditure of \$1,719,000 would
be sufficient to install two more units. An additional
expenditure of \$1,869,000 would install two further units,
bringing the total installed capacity up to 75,000 h.p. allowing for a safety factor and making allowance for the fact that
the majority of the energy used will be twenty-four horse power,
it should, therefore, be possible to produce 60,000 salesale
h.p. on a capital expenditure of approximately \$10,800,000.

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investment on account of the increased ecnomy of operating a larger plant, it would bring the price of power to about

Bow shall this condition, or something like it be attained? can any substantial increase in the lose be secured by charging on the basis of the present cost, or even the arbitrary rate of who.00 proposed? If the newer is sold at \$25.00 per h.p. or less, how shall the deficits be mot? hall part of the capital cost be written off; or shall the deficit be met by the Province at large; or shall the Commission meet it out of the general funds of all the municipalities for which it acts; or shall it be carried by the Province or by the other municipalities in a suspense account charged against the municipalities in the Thunder Say system? These are the problems with which your Commission have been faced. The Cities of Port arthur and Fort Villian are vitally interested in the preblems not only as affecting the price of power and the prospects of attracting industries, but on account of the responsibility assumed for the capital cost of construction. The brunt falls, in the first instance on the City of Port Arthur whose contract with the H. J. F. J. is already in operation. The contract of the City of Fort william does not come into operation until august, 1926. The City of Fort Milliam is, in the meantime, purchasing its power from the Kaministiquia Power Company, at a price in the neighbourhood of \$20.00 per h.p. at 2200 volts.

the second residence in the second of the second se Avenue of test on all assessed detraining on the first test by surjected was the finelly of the present making or avoid the se bies of them and ti These years to seld as Star of orlegion and links were parted to your veg of other MAN COLUMN WAS ARREST OF THE PART OF THE PART OF THE PARTY LEADING manufactured and the district on largest the court of the regrating income and the he should driver had be deed if their the while I be away on sould be been so so that you payed of saids and deprese tweeter waterant a st amprilated and our of SENSO THE COLUMN THE SENSON WE WAS TRUE TO SENSON THE PROPERTY OF THE PARTY OF THE where her was relationed who water were analytic and the The Vision of Sent Labor and Sent Millian are readily and to salve wit patractio on give our marifest, and at parentant present and him processin of electricity industrials and the circumstance -ers in year Lablant may but become antilifications on the gill all us want and depth and up out of the contract of "Wherefor his administration with the constraint mapping and the first ha assa activity by M. So will not the floor one aminority of not be used to be supposed to the contract of William Ing the reserving partitions partition and all animals Acquesications and the water is a granger deep table to antipy bold on again may south to

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the considerations must decrease if the dealt with that they involve expert engineering and other investigation that has not been possible up to the present time. Furthernore, the implies being the contract of the engineer with the end of the engineer at the end of the end o

every prospect that has offered of procusing the establishment of industries which would purchase power.

by the N.H.P.C., only one whose requirements can be considered as large has as yet declately indicated his requirements and snown a bosh side intention of entering into a contract. This means is the actual large Toper Topens, has acquired party, known as the Frest Large Toper Topens, has acquired leabehold rights of the Black Surgeon and He River pulpwood

vioisthound notivers the continue the valves of arised at to water were the recepter for the cale of power wald courge the H. J. J. C. to undertake a development involving nach a lares expenditure. The tipit servey of the power messection of PRESIDENT TAKEN TRACTOR OF ARCTIONAL PROPERTY OF THE PROPERTY and or oralle and the discontinue devaluated an inches or the ment of taxes where your year , remorally as a first an arrange of so there gram the Table 2 to the State of the grant that the same of the same our Albert Carr , exally worth work for my , and on the court house all to obtain my few for rather as egual or particul area. district, with a reasonable curpies for the future? crite think of physicists that nighterstill manner THE DESTRUCTIONS OF THE STREET, BY STREET, BY AND S had neet been possible up to the present time. skoh da ek spent, obligations entroped into and the noord at the monent is: to to help by highlight and runter has billed by the rate all days as PRINTER

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shown a bone fine intention of entering into a sentract. This

ory, ascewa as the treat Lakes Taper Company, has acquired

limits. It is understood that from 15,500 to 50,000 h.p. will be required for the purpose of this Company.

Regetiations have been in progress, from time to time, of the summer of 1918, over the terms of a contract for the supply of power by the A.D. T.C. for the purposes of this Josephay.

At the time negotiations for a power contract were in progress, other points relative to the Company's rights were in question as between the deverment and the Company, but these points and the anomalous situation arising out of the controversy have been settled upon by the Agreement which your Covernment concluded with the Company in February of this year.

of the Ajdro-Electric Power Commission and its officials have satisfied your Commission that the Company is ready and willing to enter into a contract on reasonable terms to take an assumt of power of from 13,500 to 50,000 h.p. If such a contract can be agreed upon, this Commission is assured that the Company will proceed immediately with the construction of ets plant and have it in operation considerably earlier than required by its lease.

The undertaking of a contract with the Great Lakes raper Company would require the immediate installation of at least two more generating units at Dipigen at an estimated cost of \$1,725,000, but the net effect would be to reduce the disproportion between the total capital investment and the total amount of the load and thus reduce the cost of power.

The objections of the Company to the form of contract which it was asked by the Cydro-Electric Fower Commission to sign, were generally the following:

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ismite. it is andersood that from 13,500 to 30,000 h.g. will be required for the purpose of this Company.

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have been sattled upon by six Agreement which your Covernment pandition with the Conjeny in Pobrancy of this year.

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entiaried your Comminsten turn the Company is ready and willing to enter into a coutract of early forms to take an amount of conter of the coutract of power of from 12,200 to 30,000 h.p. if sank a contract on les agrand that the Company will

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recent two more penetraling units at Mipigon at an estimated or a variable of two more penetraling units at Mipigon at an estimated voir of \$1.725,000, but the net estimated would be to reduce the disconnection between the total depths investment and the test of the local ont the local capital investment and the local of the second to the second.

The objections of the Company to the form of contents in the four transfer to the four dimension to the few were generally the fullowing:

- 1. The price to be paid for power was excessive.
- 2. The amount and terms of the security to be given by the Company for the performance of the
- 3. The provisions respecting interruptions in the delivery and use of power by conditions beyond the control of the parties were not made matually applicable to the Commission and the Company.
- 4. The contract was not matually enforceable, that is to say it could be enforced against the Company but not against the Hydro-Electric Power Commission without a fiat.

As to the first point, the parties agreer to have been satisfantially in agreement on the basis of a price of 117.50 per horsepower, and your loanization have no reason to believe that this price might not yet be favorably considered by the Company.

stand that this could be satisfactorily adjusted. The Company hee, in fact, rescued an adjustment of that Feature in its negotiations with the deverment. Dimilarly as to the third objection, an understanding appears to have been arrived at with the lovernment, under which the matter would be covered by some form of insurance.

urged by the Jon any that the financial institutions, by when the working aspital was to be supplied, could not resonable themselves to a form of sentract that was not matually enforcemble through the Sourts, in case of disagreement arising between the sentracting parties, or in the event of either party failing to live up to its obligations. The financial institutions maintained that the contract should be readily enforceable

L. The price to be pold for prost was excessive.

- 2. The amount and terms of the security to be given by the Company for the parformance of the contract.
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be granted by the Government.

anderstand that a certain Company has recently asquired a small pulp mill located in Port Arthur. De are given to understand that this Company will establish further extensions to its present facilities if it can obtain suitable pulpwood limits. It appears that the initial requirements in respect of these extensions would be 10,000 h.p. and that the plant would later on be assulted in capacity, resulting in 20,000 h.p. being required. Descriptions for a power contract with this Company might readily fail on assount of those features considered undesirable by the financial institutions associated with the Great Lakes Paper Company.

ALCHIEV OF FORM AAREA

At various junctures, from the time the arrangements with the Mydro-Mectric Power Consission to furnish power to the two Cities were first discussed, the Jonalssion has given the Jitles reason to believe that the rates would be the same in the two Cities. Definite assurances to this effect were.

In fact, given at different times, yet at several stages of the negotiations with the Great Lakes Paper Company the Hydro-Mectric Power Commission took the position that the price for power at 110,300 volts could not be as low in Fort William as in Port Arthur, and that if the Areat Lakes Company should locate at Fort William or at the "Mission" site, ismediately west of Fort William, it would have to pay an additional charge

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pulp will located in Pert Arthur. To ero given to understand this fompany will establish further extensions to ten

it appears that the initial requirements is reciped of these extensions would be 10,000 h.p. and that the plant would later on the donbled in capacity, restling in 20,000 h.p. being required. Responding to a power contract with this Company wight readily feth on account of those features considered with the

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with the Hydro-Alectric Pewer Commission to Turnish power to the two two Cities were first di in Powt Arthur, and that if the Great Lakes Tempany should ort of Fort William, it would have to pay an additional charge for the transmission of the power from the last pole of the Commission's 110,000-volt line in Fort Arthur.

CORCLUSION

Before voising any opinion, or making any suggestions as to methods that eight be adopted, or recommendations as to any action that might be initiated to best meet the existing spraintens, cour Commissioners have carefully studied the local conditions of the territory served by the Phander Pay System.

developed by this System will be used within or near the Sities of Fort Arthur and Fort William. These two Sities, locates at the head of the laxes, are, to all practical purposes, one consumity, with sommen industrial outlook and both dependent on similar resources for their future growth and prosperity. In short, their business and social structures are almost identical and it is only a unique condition of circumstance that they are two separate numicipalities instead of one.

differential rate as between any two cities, both of which obtain their power from the same sources, your Commissioners are of the orinion that in the cases of fort villian and fort Arthur there should be the same rate for lower at any voltage. The two Cities are too heavily involved and too evenly balanced, in their relation to the Minion Development, to permit of any difference in rate which might militate against their co-operation in worming out this problem which is

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the two Dittes are too heavily involved and too evenly

their co-operation in working out this problem which is

common to both. we are an end of the and well bare a

Tipicon was started in order to supply power for the needs of these municipalities and the anticipated industrial requirements of the district is general. It is the industrial growth of these two cities that only can provide an adequate market for the power that can be developed. Your Commissioners feel, therefore, that the business success of the lawerer falls plant is almost entirely dependent on the activity of these two eitles in getting industries to locate within, or near, their borders.

believe it to be desirable, to the point of being necessary, that there should be a Joint Manisipal Commission, having jurisdiction over the administration of the Opetan for the two cities, and perhaps for the whole of the Chander bay Cystem. This Commission should be given a large measure of common over the policies to be pursued in finding a market for the power which the Nipigon plant is capable of producing.—subject always to the controlling voice of the Government or the space which the sontrolling voice of the Government or the space always to the controlling voice of the Government or the space always to the controlling voice of the Government or the space always to the controlling voice of the Government or the space always to the controlling voice of the finential or other interests of the Freeless affecting the Joint Sammission could, we believe, with the advice of the Space more readily than any bedy less intimately in touch with those problems.

It is believed that if the authority to associate and conclude contracts for power is vested in the Wanicipalities, they will use every effort to see that their con-

the transpolered orbiging the batara of at to about out tok tempe figure of tobto at beitted and noultil continued and the end the entitles and lad relations exect At the takeserial arounds these two cities that ealy one provide an adequate market Tour domestarioners feel. or the power that can be developed. The same of the sa in sincer cathrely dependent on the activity of these two distant in gutting industrion to lovate within, or near, their · 福里於是明日於

e purpose of working out these problems, we

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It is bolleved that if the duthority to negotiated

tracted offications are lived up to and will take a much more active interest in the problems, relative to labor conditions and other matters, then they would if they had no actual contractual relations with the companies operating within their borders. The various questions to be devered in a contract bearing on strikes, enforceability of contract and so forth, are matters of interest to the numicipality, and we are of the opinion that in authorizing these dities to enter into contracts direct, which questions would be dealt with in a manner tast suited to meet local conditions.

power rates shall be the same, it is the opinion of your Commissioners that a zene should be established. It is thought that this zene should include the territory comprising each lity and also such other areas, lying adjacent to the boundaries of the litles as may be considered suitable for future industrial development. In this connection we believe that the M. Z. J. D. should undertake to deliver power to a place, the location of which is equally advantageous to both lities. In this particular respect we would support the proposal made by both littles that the power be delivered at a sub-station located on the boundary between the two funisipalities.

industry that Port Arthur and Port william must look for industrial progress. Vensequently not only must the price of power le such as will attract these interests but the pulpwood resources of the country sust be available for use. If it is the Covernment's intention to open up any further pulpwood

tracted collections are lived up to and will take a much more societies to inter conditions societ in the problems, relative to inter conditions and other matters, then they would if they had an antual some bearing on strikes, entereshilling of doublook and so their test into opinion that in eathericing these fittes to outer into

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In order to definitely define the area in which
power rates whall be the same, it is the opinion of your Comre that a were should be established. It is blought

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ent causat act oldstive beautioned of you as state to the conditions of the conditions of the conditions of the conditions of the condition of which is equally advantageous to both to action. In this case of the condition of which is equally advantageous to the proposet make the proposet was vould augent the proposet that

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As pointed out, it is largely to the pulp and payer

To solny out team wine these these tate the pair mast the price of government the such as will attract these interests interests the pair restrict the coverance of the teams of the coverance of

limits in this area, we would reconnect that the intentions of the (evernment, in this respect, be made known at once to that those desiring to operate may have an early opportunity of submitting their proposale. The establishment of additional pulp sites in this area would entertailly assist in disposing of large blocks of power.

The plove suggestions are made with a view to placing the System, as soon as possible, on the concest financial basis possible water existing directovances, and to reduce the deficit, as quickly as possible, to a vanishing point. The Power Commission -ot provides that a minipigatity may to relieved of the similar fund charges for the first five (o) years, but "the amounts required from such corporation on slowing fund account shall be payable during the them next ensulag tairty years." The lot, as it stands, is intended to provide for the ordinary case of a thirty-year sinking fund ported and is apparently not sufficient to justify an extension of the forty-year period, which was granted as a special ocucension to Fort Arthur and Fort Militar. The reason given for raxing the period forty years was that fort william would not be in a position to take power, under its contract, until 1936 and that Port Arthur has not se-plated the size ing rund period in respect of its original contract with the Commission. It is questionable whether, under the law and theory, as at present followed by the Mydro-Lectric lower wandisplan, it would be considered proper to grant an extension of the single fund period beyong the date fixed by the present egree ent and extend the period to, may, 45 years. It is questionable whether 103

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of entaiting their proposals. The ustablishment of selitional guip makes at a case we are a case of a large of large blocks of power.

The above suggestions are made with a view to plantage the iyers, as soon as possible, on the sounders timencial basis possible water existing circumstander, and to reduce the deficit, as quickly as possible, to a vanishing point. The Power Commission Act provides that a sunisipality way be relieved of the sinking fund charges for the first cast

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Various contentions were put forward as to why the municipalities should not be called upon to meet this portion of the deficit. The discussion of these reasons would be lengthy and is, perhaps, unnecessary for the purpose of this report. After hearing all the arguments your Commission recommend that the amounts of any deficit incurred by fixing the price of power at a salable figure should be carried in a Suspense account against the System and that the consideration of the question whether any part of this deficit or any part of the capital cost should be written off by the Province be deferred. The actual payment of this deficit will in the meantime, have to be met by the Province in the annual appropriations.

It may be found that the necessary authority to make effective plans, looking to the relief of the existing conditions, is lacking. In this event, we recommend that the Government take the necessary steps to have the requisite powers granted by Orders-in-Council, or by legislation, as the necessities of the case may direct.

All of which is respectfully submitted,

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Chairman,

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Bignede

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